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Advertising Age®

Crain's International Newspaper of Marketing. In Two Sections. Section 1.

Riney angles for $50M

Saturn dealers charmed by shop

By RAYMOND SERAFIN

Hal Riney & Partners is in line for an additional $40 million to $50 million in Saturn business from dealer groups.

Enthusiasm for Mr. Riney and his San Francisco-based agency by Saturn Corp.'s new dealers indicates that business will be added to an estimated $80 million to $100 million in factory advertising.

The first 26 Saturn dealers were introduced last week at the 72nd annual National Automobile Dealers Association convention in New Orleans.

Mr. Riney, who was at that meeting, said the agency is "involved in most of the discussions about all of the things that are going on, from positioning to the look of the dealerships themselves—most of the things that will eventually affect Saturn's image."

Even though it's a year and a half before the first Saturn cars hit the market, the agency has already contributed to Saturn sales by "selling" some top dealer prospects on signing for a franchise.

"Riney helped close me," said Robert Maguire, using the expression that salesmen use to describe a deal clincher. Mr. Maguire is a Bordentown, N.J., Chevrolet dealer who has the Saturn franchise for the central New Jersey area.

He said he was particularly impressed with a 3-minute film the agency produced for internal Saturn use, titled "The Love Affair With the Automobile."

"I was just that much more impressed with Saturn. I thought, if his agency's going to be involved with the marketing of Saturn, I want to be a Saturn dealer," Mr. Maguire said.

John Campbell III, who acquired the Saturn franchise for the Anaheim-Whittier area in California, said of the film, "It tugged at me. It was the kind of approach that got you emotionally involved with the product."

Mr. Campbell said he believes Saturn advertising will take an emotional approach.

He and Mr. Maguire both said they favored Riney handling dealer group work for their areas.

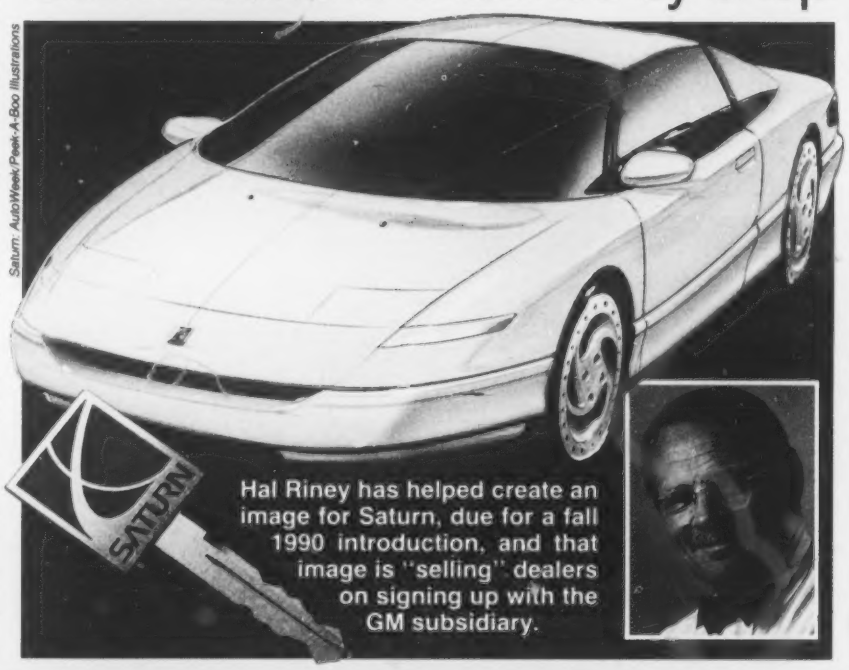
Saturn dealers will be free to choose their own agency for regional ad work, but Saturn will encourage them to go with Riney, said Donald Hudler, VP-marketing. "We would hope that it would be Riney, because we can have a more consistent message."

Saturn brings prospective dealers to Michigan for thorough briefings on the company before they make any commitments (an initial investment of $2 million to $4 million is needed for a franchise).

During their stay, Saturn executives discuss the lengthy selection process used to choose an agency, then show examples of Riney's work, including "Love Affair," a reel of commercials for other clients and a film shot near the Saturn assembly facility in Spring Hill, Tenn., which shows youngsters talking about their perceptions of Saturn.

The film with children was used in

(Continued on Page 62)



Saturn: AutoWeek Peek-A-Boo illustrations

Hal Riney has helped create an image for Saturn, due for a fall 1990 introduction, and that image is "selling" dealers on signing up with the GM subsidiary.

Ad columnists duke it out at 'Times,' 'Wall St. Journal'

By PATRICK REILLY

NEW YORK—News coverage of media, marketing and advertising issues has become a cornerstone in the fight for ad dollars between *The Wall Street Journal* and *The New York Times*.

WSJ stepped up the battle last week with the launch of its first-ever "Advertising" column, written by reporter Joanne Lipman, 27, to serve as the linchpin of the newspaper's "Marketing & Media" page.

The column is a clear-cut counterpoint to the *Times'* own long-running "Advertising" column, which anchors the newspaper's daily "Media Business" page in the "Business Day" section. The *Times* column is written by Randall Rothenberg, 32.

Hanging in the balance for each paper is revenue from media advertisers, which use adjacencies to both columns to reach agency media planners and senior marketing executives.

Possibly more important, the media and marketing pages also represent anchors as each paper attempts to gain new advertisers and regain lost linage following a yearlong slump.

It's too soon to judge the value of Ms. Lipman's column, a number of agency and media executives said. But it's also too early to judge the effectiveness of Mr. Rothenberg, who was named advertising columnist in October after the unexpected death of longtime columnist Philip Dougherty.

It was during Mr. Dougherty's tenure that the *Times'* ad column became a magnet for media advertisers; for those unable to receive mention in Mr. Dougherty's column, it was important to be near it.

"It is a little too early to say who is winning the competition, but considering their lack of proximity to the street, Madison Avenue, the *Journal* is doing a pretty good job," said Leo Scullin, senior VP-director of print relations at Young & Rubicam.

On Monday, Jan. 30, Ms. Lipman's debut column began with a news item about two leading ad agencies. The *Times* column that day was dominated by an item about a new cable TV show based on *Cable Guide*, and ran in its usual place inside the "Business Day" section.

But the *Times* countered the next day by uncharacteristically starting Mr. Rothenberg's column on the front page of the section and keeping it there for three days straight.

As far as advertising goes, *Time* magazine at least recognized the step *WSJ* was taking and ran a full-length, half-page ad, costing about $45,000, adjacent to Ms. Lipman's first column.

"We ran in the Monday to take advantage of the additional publicity that would go with the start of the new column," said Ellen Oppenheim,

(Continued on Page 62)

Last Minute News

Coke hits Pepsi's counterpunch

ATLANTA—Coca-Cola USA blasted Pepsi-Cola Co.'s new rebuttal spot last Friday and said it's challenging the commercial with the TV networks. Pepsi is putting heavy media weight behind the spot lampooning Diet Coke's claim that Diet Coke is gaining ground against sugared Pepsi. The Diet Pepsi spot says Diet Pepsi is gaining ground against Diet Coke and pokes fun at Diet Coke's 3-D effort on Super Bowl XXIII *(see earlier story on Page 4)*. Agencies are BBDO Worldwide, New York, for Pepsi and Lintas:New York for the Diet Coke spots.

Zayre unit picks Davis shop

FULLERTON, CALIF.—Zayre's HomeClub hired Davis, Ball & Colombatto, Los Angeles, to handle its $15 million retail account. Meanwhile, HomeClub is suing Admarketing, Los Angeles, which resigned the account in December to take on competitor Home Depot's $25 million account. HomeClub's suit, filed in Los Angeles County Superior Court, seeks to block Admarketing from creating ads for Home Depot.

Retailer considers $20M review

NEW YORK—One of the nation's largest consumer-electronics retailers has started submitting

(Continued on Page 8)

U.B.U. B. G.O.N.E.—P. 3
Meredith eyes '90s—P. 52
Focus on retailing—P. 57

BEST COPY AVAILABLE

Florida-type ad tax surfaces

By STEVEN W. COLFORD

Oregon and South Dakota threw down the ad-tax gauntlet last week with proposals unnervingly reminiscent of what triggered a battle in Florida.

Although the South Dakota measure would extend the state's 4% sales tax to all in-state advertising, including media billings and creative, the Oregon bill generated greater waves of concern within the advertising, broadcasting and film industries.

Already a meeting has been scheduled for Feb. 10 in Portland between officials of the Oregon Department of Revenue, which proposed the measure, and as many as 30 representatives from affected industries, including advertising.

The Oregon bill is considered more troublesome by the ad industry's state-monitoring arm, the State Advertising Coalition, for at least two major reasons:

- It could prompt other states to embrace similar proposals.
- It relies on an audience-viewing formula that first appeared in the Florida tax fight two years ago and which, if widely accepted, would provide a surer path to direct taxation of local and national advertising.

On its surface, the Oregon measure appears to be a concern for broadcasters; its main thrust is to allow the state to levy its 6.6% gross receipts tax on the revenues of CBS, ABC, NBC and other broadcast and cable networks not headquartered in Oregon.

The Oregon bill also appears to carry at least the tacit approval of newly elected Democrat Gov. Neil Goldschmidt. Revenue department Administrator James Brown said all legislation proposed by state agencies goes across Gov. Goldschmidt's desk before being introduced in the Legislature.

According to advertising and broadcasting industry analyses, the Oregon bill would apply the state's gross receipts tax to network revenues in a ratio determined by Oregon's percentage of the network's national viewing audience.

Because ad revenues comprise the bulk of network income, the Oregon initiative gives pause to advertisers.

"That apportionment scheme could be used in other contexts for national advertising," said American Advertising Federation Senior VP Wally Snyder. "We oppose this measure . . . and would want to discourage states from taxing corporations outside their borders. If all 50 states, or even two or three, do it, it becomes very burdensome for corporations, whether it's under a sales tax, gross receipts tax or what."

That formula of relying on state audience as percentage of national audience was at the heart of Florida's attempt to levy its sales tax on national advertising.

The Oregon measure was a major topic of concern within the ad industry last week as it pondered the bill's potential for setting a precedent and its reach for businesses outside the state.

The bill is so potentially troublesome that it overshadowed last week's introduction in the South Dakota Legislature of a bill to tax advertising. That bill would repeal in-state

(Continued on Page 62)

Highlights

NEWS

6 **Ogilvy's earnings on the rise**
Strong international billings produced better-than-expected earnings at Ogilvy Group last year.

12 **W-L ups ad spending to $950M**
Warner-Lambert reports an 8% ad budget rise, with some new spending going to its heart-disease drug.

26 **Bohbot's no babe in toyland**
Bohbot Communications dominates toy media buying as marketers seek separate agencies to maximize marketing clout.

30 **Penney's TV catalog expands**
J.C. Penney will extend its TV shopping service test in preparation for national rollout in 1990.

34 **Tire marketers take different roads**
General and Michelin tires use opposite strategies in ad campaigns that break this spring.

42 **Texas shop gets promotion**
Houillion-Wilson gains most of Frito-Lay's regional marketing business and a Heinz promotion.

50 **Minivans roll into battle**
Chrysler prepares for an onslaught of rival minivans backed by big ad budgets.

52 **New ceo predicts Meredith's future**
CEO Jack Rehm looks to new magazine projects for future growth.

58 **Alcohol ad proposals challenged**
Advertising and media groups try to dissuade Surgeon General Koop from backing limits on alcohol marketing.

63 **Bull begins with a blitz**
Bull HN hopes a new ad blitz for its computers will propel them to prominence.

INTERNATIONAL

36 **French satellite project plummets**
France is taking a hard look at its failing direct broadcast satellite project while Rupert Murdoch steals its thunder with the launch of Sky Television this month.

AD REVIEW: Buick Regal ad isn't quite fit for a king. P. 64.

SPECIAL REPORT: Youth Marketing starts after P. 40.

Departments

Brady	39
Brady's Bunch	52
Classifieds	55
Direct Marketing	41
Editorials	16
For the Record	59
Forum	20
Global Gallery	38
Letters	22
MediaWorks	44
People	49
PeopleWorks	48
Photo Review	46
Sales Promotion	42
Slices	39
The Next Trend	39

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IBM's new shops roll out first ads

By JON LAFAYETTE

IBM Corp. has discharged most members of the "M*A*S*H" cast who'd been featured in the computer marketer's ads since April 1987.

Alan Alda, however, has a long-term contract, and any future role is "under development," the company said. The actor joined his former TV series colleagues in January 1988.

The slogan "The bigger picture" has also been scrapped, but its successor is unclear.

The first network TV commercials from Lintas:New York, one of IBM's two new agencies, began airing late last month for the PS/2. Those spots close with the line, "When you're thinking ahead, you're thinking IBM."

Though the line was part of Lintas' presentation that won the account, it probably won't be used in long-term campaigns.

IBM also launched a new print campaign last week for its AS/400 midrange computer via Wells, Rich, Greene, its other new agency.

The agencies replaced Lord, Geller, Federico, Einstein, which lost the $138 million account after its senior executives walked out to form a new agency last year.

IBM plans to launch an umbrella campaign in the second quarter for the PS/2, which is facing stiff competition from a group of rival personal computer marketers. Product-specific ads via Lintas will support the umbrella campaign, the IBM spokesman said.

At the same time, IBM plans to launch what it calls a market-image umbrella campaign via WRG. The effort is intended to show how IBM responds to customer needs and solves problems, the spokesman said. WRG is also working on a new corporate campaign.

In the meantime, WRG has placed a multipage corporate ad in current editions of business magazines. The ad, similar to one done by Lord Geller a year ago, shows new products and innovations.

IBM's plan for a layered advertising effort reflects the company's hierarchical and bureaucratic structure. Despite efforts to streamline its marketing and advertising departments, all decisions apparently still pass through a staggering number of approval layers, causing delays.

The process is made more complicated by continuing turnover in IBM's marketing ranks, sources said.

At the same time, the agencies' job has been made more difficult because the assignments given Lintas and WRG overlap to a certain extent. This arrangement already has led to intramural rivalries and turf fights.#

Alan Radding in Boston contributed to this story.

Yugo shop mulls filing $2.8M suit

By RAYMOND SERAFIN

Yugo America agency Lambert/-Dale says it plans to sue a Wall Street investment banking company if it can't collect on Yugo's approximately $2.8 million advertising-related debts.

Most of this debt is owed to media and production-related companies.

Paul Lambert, the New York agency's president, said Mabon, Nugent & Co., a major stockholder in Yugo parent Global Motors, directed operations for Yugo America, the importer and marketer of the low-price car.

But the investment company denied that its involvement extended beyond financial advice, setting the stage for a court fight that would be closely watched in ad circles if Global Motors fails in its reorganization attempt.

Global Motors last week filed for protection under Chapter 11 of the federal bankruptcy law. At the same time, the car's Yugoslavian manufacturer, Zavodi Crvena Zastava, assumed management responsibility and promised an infusion of cash to reorganize the company.

The Chapter 11 filing lists Lambert/Dale as the largest unsecured creditor. Mr. Lambert said the $2.8 million includes about $400,000 owed to the agency in fees, with the rest owed on orders placed by Lambert/Dale acting as agent for Yugo America.

Turner Broadcasting System pre-

(Continued on Page 62)

Special Report

College magazines—the next generation

Where publishing heavyweights tried and failed, a new batch tests their mettle with lean, highly targeted books

By Patrick Reilly

The sudden boom in new national magazines for the college market is proving that one publisher's debacle can be another's opportunity.

Following last spring's demise of three national college magazines from major publishers—*Newsweek on Campus*, McGraw-Hill Inc.'s *Business Week Careers* and Whittle Communication's *Campus Voice*—publishers appeared unable to bear the high costs of producing slick magazines for college students.

That shakeout has partly triggered a flood of new campus publications, many of which are more highly targeted and operate with lower overheads but still attract national advertisers.

"The campus market is really picking up again with some promising publications," says Shannon Eadon, VP-associate media director, Rosenfeld, Sirowitz, Humphrey & Strauss, New York. "What old and new publishers have learned is that distribution has to be targeted and the editorial has to speak to students' real needs."

A number of major publishers and media companies have kept their hand in the college market, where the estimated enrollment is more than 12 million, according to the Center for Education.

For example, Time Inc. acquired *Dorm* magazine in 1987, changed its name to *Student Life*, and redesigned the twice-a-year magazine in 1988. Whittle relaunched *Campus Voice* in August 1988 on 360 campuses as a free-standing kiosk, carrying editorial panels covering jobs & careers, news and leisure. And in November, U.S. News & World Report Inc. formed a partnership with the publisher of *CampusUSA* to launch CampusUSA Wallboards in March *(See story below)*.

Close behind them are many new or recently launched college magazines or media properties. While advertisers and agency media directors say they are cautious about the publications, observers say the new crop holds some promise.

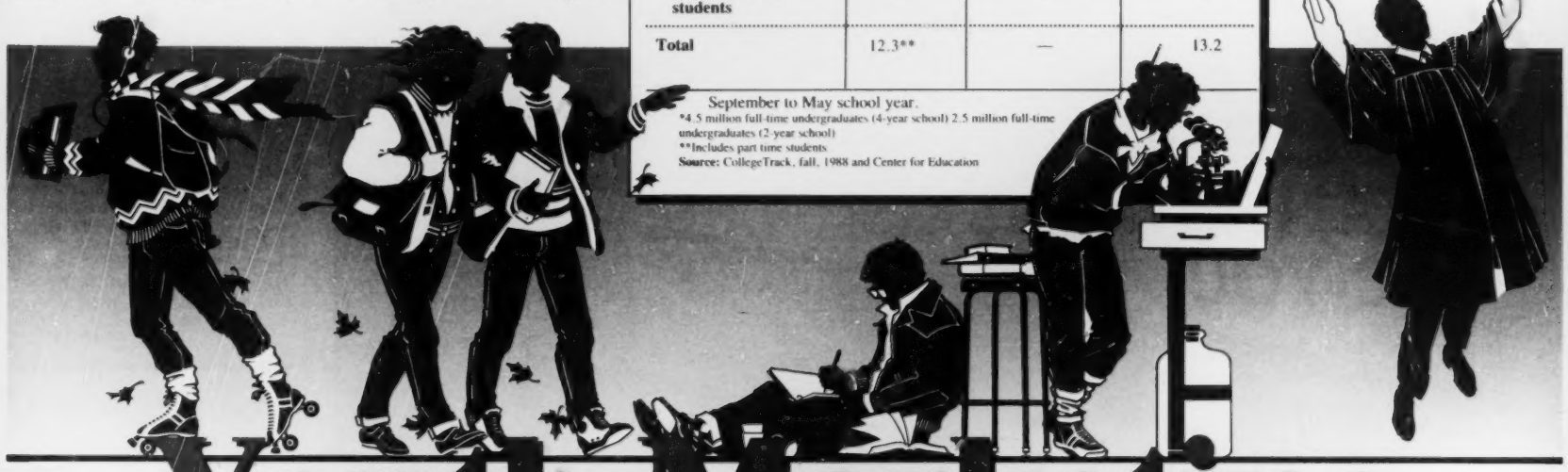
(Continued on Page S-2)

Mad money

Discretionary dollars a study of college market's power

	Number of students *(in millions)*	Monthly discretionary spending *(dollars per month)*	Total annual discretionary spending *(in billions)*
Full-time undergraduates *(2 and 4 year schools)*	7*	$155	10.5
Full-time graduate students	1.8	148	2.7
Total	12.3**	—	13.2

September to May school year.
*4.5 million full-time undergraduates (4-year school) 2.5 million full-time undergraduates (2-year school)
**Includes part time students
Source: CollegeTrack, fall, 1988 and Center for Education



Youth Marketing

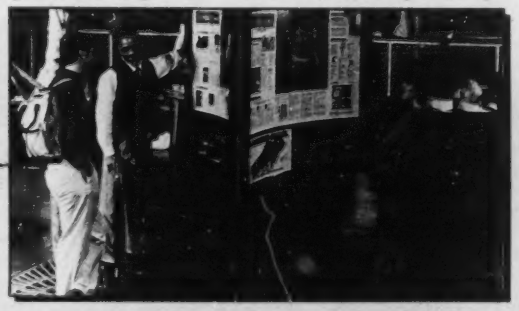
Taking college boards seriously

Whittle, CampusUSA battle for wall space, students' eyes as marketers try to capture attention on campus

By Leslie Gilbert

CampusUSA magazine is going to the wall for college students, launching its new Wallboard media program in March.

The program is similar to the editorial wall media programs Whittle Communications has championed for the last eight years, first as The Wallpaper Journal and now as Campus Voice. Unlike Whittle, CampusUSA, a joint venture between U.S. News & World Report Inc. and Collegiate Marketing & Communications, has no plans to preempt its quarterly magazine in favor of the every-other-weekly Wallboard program.



Campus Voice kiosks are on 360 campuses and are expected to hit gross revenues of $10.5 million for the school year.

According to Bill Harris, exec VP of *U.S. News & World Report*, "We want to keep a presence in [the college] market as much for the future as for today." CampusUSA should fare better than many of the college magazines because its costs are lower, he says.

"A magazine is a terrific vehicle to reach the broad-based college market," says Dan Snyder, CM&C president. "Wallboards reach market [segments] within the college market."

CampusUSA Wallboards focus on eight subjects: business, computers, health, men's life, music, night life, sports and women's life. Editorially, Campus Voice wall media focuses on three areas: news, leisure and careers.

Rebecca Scroggins, exec VP-publisher of Wallboards and former marketing director at Whittle Communications, says Wallboards make more sense than magazines for some advertisers. "Wallboard is designed for impact, awareness and continuous presence so it makes sense for impulse items and for new products."

Joe Venaglia, president of College Market Consultants, agrees. "For the advertiser who is now learning to communicate in 15 seconds, I would recommend [wall media] because they give maximum exposure, and immediate and repetitive impact."

David Pugliese, AT&T college market manager says, "Wall media is a critical component of our media plan because it's an interactive medium. College newspapers are the largest component and magazines vary the most from plan to plan because they come and go so frequently."

AT&T began advertising with Whittle when the wall media program still had one advertiser per board instead of the two now featured. "Personally, I like an exclusive position, but the key is that the actual editorial piece is at-

(Continued on Page S-5)

CampusUSA's Wallboards are single-sponsored units with information topics ranging from sports to computers.

Leslie Gilbert is an ADVERTISING AGE *correspondent based in New York.*

Back to school

Freshman class of magazines demonstrate potential

The market looked bleak for college magazines this time last year. Big-name publishers, backed by deep pockets, were dropping out, indicating a less than healthy future for college magazines.

A new class of magazines is stepping in to fill the vacancy, however, with an eye toward eliminating distribution glitches that have plagued the medium. A selection of new college publications includes:

■ *CV, The College Magazine* from Millicom Inc. The title stands for "career vision and campus vision," says Marian Salzman, president and editor in chief.

The premiere issue will be distributed to 250 colleges, including 60 "traditionally black" campuses, early this month with an estimated circulation of more than 1 million. *CV* will distribute about 60% through the career placement office on campus but will also insert copies into the campus newspaper. The magazine will appear six times a year with an editorial focus on careers and lifestyle. Advertisers in premiere issue include Nissan, Apple Computer and Smith-Corona.

■ *Volume*, a general-interest magazine due in the fall from Alan Weston Communications.

In prototype now, *Volume* will appear twice each semester, with 1.2 million controlled circulation, mailed directly to students at campuses. It will offer male/female demographic editions to advertisers.

The magazine will use "contract publishing" techniques such as offering product exclusivity for advertisers buying an entire year of issues, and limit the number of ad pages per issue to about one-third.

"Advertisers are being challenged to find ways to break through the clutter, and [*Volume*] offers them the chance," according to President Larry Smuckler. Each issue will be based around a special theme "universally important to the generation," he says. The four themes are sex, humor, photojournalism, plus an "interactive" issue.

The company is implementing one overall ad rate—$58,000 per page—for both b&w and color ads and have different rates for the women and men-targeted advertiser, $47,100 and $34,125 respectively.

■ *Eyes*, a "serious" monthly newsmagazine from TenFifty Publications due March 9 on several California campuses, including UCLA and Stanford. It is billed as the "newsmagazine for the next generation."

The circulation will be about 100,000 through inserts in college newspapers and direct mailings to students and parents. Plans are to expand to 200,000 circulation in 1990 and expand to national distribution.

■ Whittle Communications will launch a new college magazine in the fall with a single sponsor—possibly a major cosmetic marketer—according to sources close to the company. Chairman Christopher Whittle did not confirm the launch and says only the company is developing several new properties aimed at the college market.

■ *Great Opportunities For Today's Collegian*, a once-a-semester magazine that is essentially a catalog of ads with coupons.

The title comes from Follett Corp., the largest contract manager of college bookstores. Follett will distribute more than 1 million copies of *Great Opportunities* each January and August at about 300 Follett-operated bookstores. The debut issue in January carried ads from Radio Shack, Sears Discover card and CBS/Columbia House, among others.

—Patrick Reilly

Great Opportunities For Today's Collegian and Eyes join "upperclassman" Campus Connection in the college field.

Generation

(Continued from Page S-1)

Key to their success will be solving one problem that has plagued earlier attempts. Many magazines failed to attract national advertisers because of poor distribution.

"You can have the most wonderful editorial product and if it doesn't get into students hands, it's wasted for the advertiser," says Jonathan Bulkeley, publisher of *Student Life*. "You don't want to end up as campus junk."

A number of college magazines now use direct mail to ensure delivery. *Student Life*, with a circulation of about 1.2 million, is mailed directly to student post office box numbers at 570 campuses.

Campus Connection, a 6-year-old annual guide magazine, published by Uncommon Solutions uses a mass distribution method for its 81 different editions going to 256 campuses with copies distributed by local student organizations.

"The distribution has gotten better as the competition has increased," says Eric Weil, president of Strategic Marketing Communications, publisher of *College Marketing Annual*.

Beyond distribution, industry observers say the new batch of publications are simply offering a better editorial product.

Ms. Eadon says established magazines such as *Student Life* are now more credible, while new ones such as *CV* and *Volume* "look like they might be strong. The problem remains an editorial one. The successful college magazine is tuning into students' needs, providing information on campus entertainment or careers or general news issues that affect them directly." □

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Word of mouth travels fastest

Determining when kids become regular product users continues to be as elusive as the fountain of youth

By Beth Bogart

While marketers, researchers and ad agencies aren't sure when brand loyalty is established among youths, no one wants to enter the marketing fray too late.

"Companies are realizing the importance of the youth market, such as car companies who want to develop brand loyalty, knowing that college students who buy lower-priced models will eventually be upgrading," says Robin Sanderson, senior VP at MarketSource, a target marketing company.

"It appears loyalties are being formed earlier and earlier," says Stuart Hochwert, exec VP, American Passage, a full-service marketing and media company. The rise in single-parent households and the pervasiveness of TV advertising are major reasons, he says.

"Kids are doing more and more of the shopping," Mr. Hochwert says. "While parents may have a preference, a teen-ager often has a suggestion of his own."

Increasingly, companies are advertising to the age bracket just younger than the age group that actually will purchase and use their product, Mr. Hochwert says.

Marketers don't create trends, they simply alter strategies to meet existing trends, says Irving Plonskier, who monitors high school and college print publications as print services supervisor at Young & Rubicam, New York. "The way lifestyles have changed means teens have more money and freedom," he says. "They don't have to go to dad for $5 for the movies, they make that decision alone."

Beth Bogart is a free-lance writer based in Washington D.C.

Participation in household grocery shopping

I plan my household's meals:	
High school students	10%
College students	21%
Non-student youth	22%
Total youth	17%
I usually do some of the grocery shopping:	
High school students	10%
College students	23%
Non-student youth	24%
Total youth	21%
I usually choose which brands to buy:	
High school students	50%
College students	35%
Non-student youth	32%
Total youth	27%

Source: HTI division of The NPD Group, 1986

Ms. Sanderson contends teen loyalties are anything but permanent. MarketSource research indicates 50% of students switch brands on certain products when they enter college. Last December's The College Panel survey—a joint effort of MarketSource and Decisions Center Inc.—shows 66% switch shampoo; 45%, shaving cream; 42%, mouthwash, and 37%, toothpaste.

"It cuts both ways," she says. "You could say 50% not changing shows brand loyalty developed young, or the fact that 50% changed shows that college students are open to changing loyalty."

MarketSource began researching the college market in 1975, but has now expanded to include teens, young children and their mothers.

American Passage also is moving toward younger kids, having unveiled GymBoards last September. GymBoards consist of three panels: one a chalkboard, one for articles aimed at youths and the third for an advertiser. They are currently in the locker rooms of 2,000 junior and high schools, says Mr. Hochwert, adding that Gillette Co. and Procter & Gamble Co. have been regular advertisers.

Gillette recently launched an ad campaign for Atra razor blades aimed at high school and college men after company research indicated that loyalty was strong among men older than 40, but non-existent among younger men. "The commercials are an emotional appeal aimed at communicating a new, aggressive image for Atra," says Michele Szynal, assistant manager of corporate media relations. "We're targeting younger men to try and regain that loyalty."

Predicting the changing tastes of American youth is difficult because most studies target specific age groups and do not follow a group's preferences over time. Researchers may know that changes in preference have occurred, but may not know why, say industry sources. Ms. Sanderson says The College Panel is working on tracking changes in college students' tastes as they move into adulthood—one of the first efforts of its kind.

Mr. Hochwert says the most surprising trend he has seen in the last two years is cooking and baking supplies marketers placing ads that target the college market, once the sole domain of women's services magazines.

"Word of mouth velocity is very important to the youth market," he says. "News travels fast if it's good, twice as fast if it's bad." [ ]

'Kids are so fickle'

Children don't have long-term loyalties, according to Karen Forcade, president of Youth Research, Brookfield, Conn., a company that conducts studies with children as young as 6 years old for clients such as ABC, Chesebrough-Pond's, General Foods, Hallmark Cards, Nabisco Brands and Ralston Purina.

Karen Forcade

"Right now, there isn't any way to accurately forecast with children. Kids are so fickle, it's really either hit or miss," she says.

The key to gaining what loyalty kids have is to first use advertising to catch their attention and to then develop new accessories so they don't get bored with the product, Ms. Forcade says. "Everything for children and even teens is media driven, and if their peer group has it then they want it." To that end, Youth Research screens for "outgoing, trendsetting kids" in junior high and high school.

"We're looking for kids who are the captain of the football team or a cheerleader because they're the kids who are going to set the style," Ms. Forcade says.

Youth Research then centers its efforts on trying to reach these kids. "Developing media strategies is hard, even finding the right words," she says. "Two years ago it was 'awesome,' but that's passe now."

—Beth Bogart

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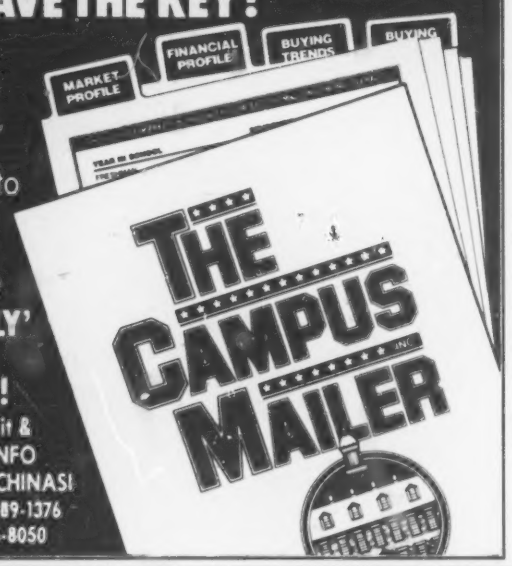

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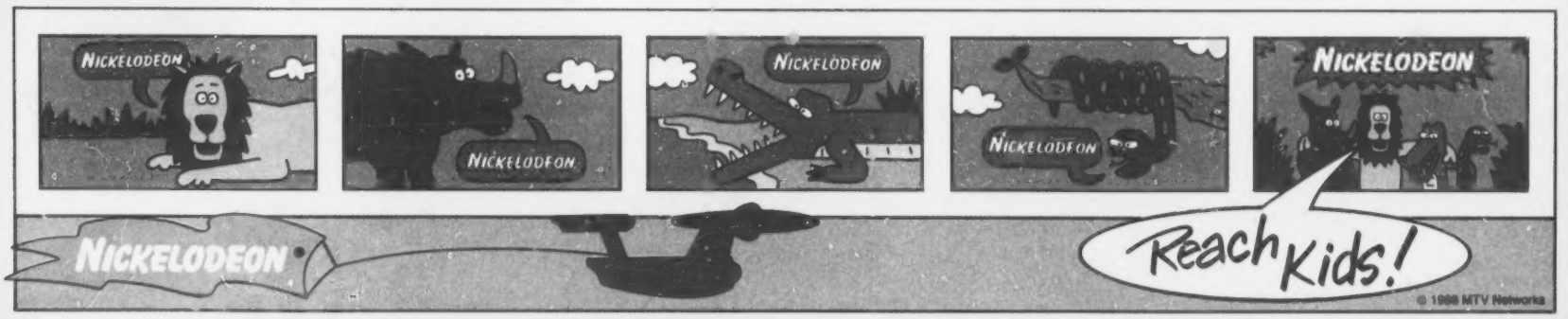


National college media use

College student daily TV viewing

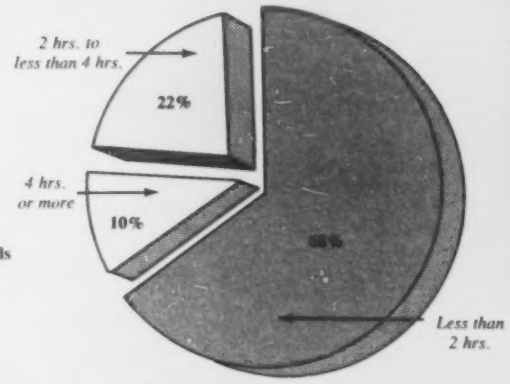
	Less than 1 hr./day	More than 1 hr./day
Before noon	94%	6%
Noon to 6 p.m.	75	25
6 p.m. to bedtime	38	62

Newspaper readership by college students

	Total students	Full-time undergrads
College newspaper read in one week	70.7%	85.2%

Source: SMRB Study of College Market Publications, 1988, sponsored by The American Collegiate Network

Time spent listening to the radio
(per day)



Calvin Klein's Obsession was chosen as the favorite print ad by students participating in the ADVERTISING AGE poll.

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MEDIA WATCH

Media use
(Average hours per day)

Radio—2 hrs. 32 min. **39.7%**
TV—2 hrs. 17 min. **35.8%**
Newspaper—50 min. **13.1%**
Magazine—44 min. **11.5%**

Do you read campus magazines?

Yes	No
48%	52%

Have you ever responded to the following?

	Yes	No
Direct-mail	21.4%	78.6%
Samples	29.3	70.7
On-campus promotion	56.6	43.4

Top 5 radio ads
(16.9% response rate)

1. Bud Light
2. Miller Lite
3. McDonald's Nutri-System
5. Motel 6

Favorite TV spot
(70.5% response rate)
Miller Lite

Favorite print ad
(53.4% response rate)
Obsession

TV spot that best represents your age group
(64.5% response rate)
Levi's 501

Print ad that best represents your age group
(48.8% response rate)
Obsession

Favorite TV shows
(89.2% response rate)

1. The Cosby Show
2. Cheers
3. L.A. Law
4. Thirtysomething
5. Family Ties
6. Growing Pains
7. Wonder Years
8. Days of Our Lives
9. David Letterman
10. MASH

Favorite magazines
(100% response rate)

1. Time
2. Glamour
3. Sports Illustrated
4. Cosmopolitan
5. Newsweek
6. Vogue
7. Elle (tie)
   People
   Rolling Stone
10. Mademoiselle

Source: Advertisng Age polled advertising/marketing/communications and journalism students at 12 colleges across the country
Compiled by Jill L. Sherer

Associate editor Anita M. Busch coordinated this report on Youth Marketing.

Coming
Next week ADVERTISING AGE's Special Report will focus on **Marketing to Hispanics.**

DIRECT MARKETING

Agencies see slowing growth

Wunderman reports billings drop

By ALISON FAHEY

Several of the nation's largest direct-response agencies failed to meet executives' expected 1988 growth rates.

Ogilvy & Mather Direct and FCB Direct fell short of projections of 10%-to-15% growth; other agencies had forecast "modest" increases.

Many direct-response agencies posted only single-digit gains in 1988, faced with a mature direct-marketing industry, cutbacks in client spending spurred by the October 1987 stock market tumble and an uncertain economy.

The gains represent a steep decline from direct-response agencies' heyday in the early 1980s when growth averaged 30% (AA, Jan. 11, 1988).

The single-digit growth rates for other leading direct-response agencies are in line with the overall expected 1988 gains for general ad agencies of about 7%.

Advertisers spent $2.4 billion in direct-response categories through agencies in 1987, the most recent year for which ADVERTISING AGE estimates are available.

A major client loss prevented Wunderman Worldwide, New York, from getting even a single-digit gain.

The Young & Rubicam direct-response agency saw a "modest decline" in billings in 1988, said Richard Stollenwerck, exec VP-group general manager. Yearend figures weren't available; in 1987, billings were $260 million.

Wunderman last year lost the IBM Corp. account to Grey Direct and completed a major portion of an AT&T Co. project.

"In general, clients were managing closer and asking more for less," Mr. Stollenwerck said.

"In the U.S., direct marketing is matured, established, and it's a market share fight," said Howard Draft, president, Kobs & Draft, Chicago.

Kobs & Draft's billings grew 5.9% to $90 million. Mr. Draft predicted 8%-to-10% domestic gains in 1989.

"The stock market crash contributed to the slowdown. Not only did financial services clients cut back spending but general companies spent more conservatively," said George Wiedemann, chairman and president at Grey Direct, New York.

"In the U.S., direct marketing is matured, established, and it's a market share fight."
—Howard Draft
President
Kobs & Draft

The agency's capitalized billings based on fee and commission income were up 5.9% to $108 million in 1988, but Mr. Wiedemann is feeling bullish about 1989.

"Grey Direct will do better [in 1989] than the category at large because of solid new business," he said.

During 1988, Grey picked up the U.S. Department of Treasury's $22 million U.S. Olympics coin account, along with business from New York Telephone Co. and Chemical Bank (AA, Jan. 23).

Grey expects double-digit gains in 1989 compared with single-digit growth for most direct-response agencies, Mr. Wiedemann said.

O&M Direct reported billings rose 4.6% to $272 million, said Howard Meiner, chief financial officer.

The slowdown is a result of spending cuts from financial services clients and a leveling off in growth of some key clients, said President William Morrissey.

But O&M's outlook for 1989 is one of the most optimistic among direct-response agencies. "We could easily get back to 15%-to-20% [gains], if not 10%," Mr. Morrissey said, noting a resurgence in new-client business.

Billings for FCB Direct, San Francisco, rose 2.7% to $151 million, said Freeman Gosden Jr., chairman-direct marketing, Foote, Cone & Belding Communications.

"It was not a magnificent year; it was generally tight," said Michael Seymour, president and chairman of MARCOA DR Group, New York, an Omnicom Group unit. "Our revenues are up and our income is up." Specific agency figures weren't available yet; in 1988, MARCOA's billings totaled $108 million.

Despite the leveling off of growth in recent years and the relatively dim forecast for 1989, many agency executives foresee another big growth curve in three to five years.

As data-base technology improves, direct-response agencies will be able to convince non-traditional fields to join the ranks of direct marketing.

Direct-response agencies "have to go after 'new tryers' that may not be using direct marketing," said Wunderman's Mr. Stollenwerck.#

DIRECT-RESPONSE BILLINGS

Most of the large direct-response agencies posted single-digit growth rates in 1988. (Billings in millions of dollars.)

	1987	1988	% chg
Ogilvy & Mather Direct	$260	$272	4.6%
Wunderman Worldwide*	260	—	—
FCB Direct	147	151	2.7
MARCOA DR Group	108	—	—
Grey Direct	102	108	5.9
Kobs & Draft	85	90	5.9

*Wunderman reported "modest declines" for 1988, but yearend figures aren't available.
Source: Agency reports.

Computers are standing by

By JUDITH GRAHAM

Network and cable TV stations could soon be jockeying for a larger share of promotional budgets because of new technology that greatly increases the number of callers who can respond simultaneously to TV spots.

The new, interactive telephone technology was developed by FDR Interactive Technologies, an American Express Co. affiliate.

It allows as many as 30,000 consumers to respond at once to promotional offers, advertising, consumer polls or other participatory programming.

"On an hourly basis, that translates into as many as 1.8 million calls.

Consumers can respond to offers via toll-free numbers or "900" numbers that carry a charge. At the direction of computerized voice messages, consumers can record responses by pressing buttons on the phone. The system also has the ability to "read" voices, translating them into digitized information collected by computers.

The system's capacity is its most distinctive feature. To match it, a live system would need 30,000 operators working the phones.

So far, the only national network equipped to handle 900-number calls, run by AT&T Co., is reported to have a capacity of 10,000 calls per minute.

Capital Cities/ABC Video Enterprises will be the first major broadcaster to test the FDR Interactive technology this spring through West Coast stations.

A launch of national programming could come as early as this fall, said Herb Granath, Cap Cities/-ABC Video president.

So far, no advertisers have signed up for the test.

"The most important use I see for cable and network is the potential to compete for promotional ad budgets," Mr. Granath said. "For instance, I could see Procter & Gamble running a one-minute spot for six products, with a $1-off offer at the end."

As many as 30,000 consumers can respond at once to participatory programming.

Consumers could call a toll-free number listed at the end of the commercial to get a coupon in the mail, he said.

Ronald A. Katz, FDR Interactive president-ceo, sees the same potential.

"Mass merchandisers have never really been able to move merchandise on TV" through promotions, he said, because there was no way to get immediate responses. "Now, it is highly likely that advertisers will find part or all of the cost of their advertising will be paid by the ability to sell through merchandise on TV."

Mr. Katz acknowledged that it's not clear yet how interested consumers will be in the technology.

MGM/UA Telecommunications also has signed on with FDR Interactive. MGM/UA plans to incorporate the interactive technology in "Hotline," a syndicated game show premiering this fall.

The show is believed to be the first major syndicated effort inviting interactive audience participation.

"The technology has tremendous potential to differentiate broadcasters," said Norman Horowitz, MGM/-UA president-ceo.

Also, Talisman Communications Corp. has signed with FDR Interactive and will be exploring applications for marketers. Talisman specializes in new interactive communications.

Its first effort will be a national time and weather 900-number sponsored by a major financial services or travel company, said Lisa Broderick, Talisman president-ceo. The line should be up and running in a few months, she said.

During the summer, another financial services marketer plans to test a toll-free response ad via network and spot commercials, she said.#

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FOCUS ON RETAILING

Modest ad gains

Retailers plan 3.9% boost in '89

By JUDITH GRAHAM

Despite pressure to slash operating costs, retailers plan modest boosts in their ad budgets this year.

Ad spending, excluding co-op, will rise an average 3.9%, according to the Retail Advertising Conference's first survey of retail ad plans. Co-op budgets will be up an average 5.7%.

"Retailers could have reined in advertising for any number of reasons," said Douglas Raymond, RAC president. "But instead, their response to radical changes in the industry seems to be healthy, with smart merchants continuing to be aggressive risk-takers looking for new ways to sell."

RAC mailed its survey to all 380 of its retail members. Results of the survey are based on 96 replies, or a response rate of 25.3%.

In the survey, the spending outlook varies considerably by retail category. For instance, among rapidly growing mass merchandisers, ad budgets are expected to rise 5.2%.

But in the beleaguered department store category, large chains are raising ad spending only 3.3%, while small chains are expected to cut budgets by 1.1%.

On the competitive front, all eyes will be trained on the nation's No. 1 merchant, Sears, Roebuck & Co., which is due to start an ad blitz supporting its new "everyday low-price" strategy on March 1 (AA, Jan. 16).

Despite enormous publicity related to the change, details of Sears' strategy still aren't clear, and competitors remain uncertain about how its moves will affect their business.

Still, regardless of its strategy, Sears is likely to provoke a flurry of advertising responses from rivals.

Despite indications from the RAC survey, ad budgets could be hurt by retailers' renewed emphasis on customer service, said Robert Gottlieb, senior VP-director of marketing at Jordan Marsh Co.

Funds for hiring, training and rewarding sales staff will be drawn from ad budgets, he said, leaving retailers scrambling to make less advertising more productive.

"We can't afford it all. We have to establish priorities, and the biggest payback without a doubt is in the store," Mr. Gottlieb said.

"The customer service culture will either make or break . . . merchants in the 1990s," he said. "The plain truth is that you can get the customer in the store with advertising, but if you mistreat her at the sales counter, you lose her."

In 1989, stores also will continue to experiment with new media mixes and fresh programs to cultivate and maintain customer loyalty.

Direct mail, in particular, will become more important as merchants explore ways to target messages to customers.

In the RAC survey, retailers reported that an average 9.2% of ad budgets will be spent on direct-mail catalogs and another 5.6% on direct-mail brochures.

Combined, that places direct-marketing efforts at 14.8%, just behind newspaper inserts, which will consume 18.3% of spending, and newspaper run of press, the largest spending category at 36.7%.

Large department stores and women's, men's and children's specialty stores lead the catalog charge, with catalog budgets of 15.6% and 15%, respectively.

Small department stores direct 9% of their budgets at brochures; women's, men's and children's specialty stores spend 8.9% on brochures.

Despite widespread interest in TV advertising, retailers said they would commit only 10.8% of their ad budgets to that medium, with another 1.3% spent on cable.

Home furnishings stores (with 19.4% of their budgets in TV) and home repair/-hardware stores (with 17.2%) expressed the strongest interest in TV.

Women's, men's and children's specialty stores showed the weakest interest, with only 0.9% of their budgets allocated to TV.

Large and small department stores were also lukewarm about TV: They said they'd commit 7.4% and 6% of ad budgets to the medium, respectively.

The most notable finding for co-op advertising was a 0.1% falloff predicted for women's, men's and children's specialty stores.

"Specialty stores are fighting to keep their identities, so they're turning away from co-op, which tends to sell vendors' products at the expense of the store itself," RAC's Mr. Raymond said.

In line with traditional arrangements, most retail marketers (76.3%) handle ad budgets, excluding co-op, in-house.

The same is true of those using direct mail (excluding co-op); according to the survey, 86% of those marketers handle direct efforts themselves.#

Retailers seek to end era of price cuts

By JUDITH GRAHAM

Retailers will struggle this year to break free of ingrained price-cutting habits and to create new store formats that respond to customers' changing needs.

If they succeed, retail advertising could be transformed.

"In my opinion, this will be one of the most important years in retail advertising in the last 25 years," said Morris Saffer, chairman of Saffer Advertising, Toronto, and the Retail Advertising Conference.

Retailers' major effort in 1989 will be to pry themselves loose from price-cutting habits. During the past several years, price-oriented appeals have assumed increasing importance, gradually training consumers to become avid bargain shoppers.

Merchants scored their first victory during the recently ended Christmas season by controlling inventory and reducing the number of unplanned promotions featuring deeply discounted merchandise.

"You'll see an honest attempt at curtailing the '40% off' syndrome," predicted RAC President Douglas Raymond. "Retailers will get back to selling the stores as brands and stop giving the store away."

Experimentation with new store formats, such as hypermarkets and superstores, also will be an important theme as retailers search for ways to make shopping easy and enjoyable for consumers.

"We've reached a watershed point when the original concepts that fed the growth of a Sears, Montgomery Ward and Penney no longer hold," Mr. Saffer said. "Stores have to change completely to prepare themselves for the 1990s."

In the new retail environment, consumers will demand better information from stores and shop elsewhere if they're not convinced that a retailer has anything special to offer.

"Consumers are the smartest they've ever been" and less inclined than ever to swallow pitches based on hype, said Carol Farmer, president of Carol Farmer Associates. "To the consumer of today, loyalty is nothing more or less than the absence of something better."

In terms of advertising, this translates into a movement away from pure image ads. "Superficial, glossy image advertising will not work the same way for retailers anymore," Mr. Saffer predicted.

Instead, retailers' advertising will concentrate on specific selling points, emphasizing selection, pricing policy, service or unique merchandising strategies. The goal will be to nurture relationships with customers, not to make the quick sale.

Once their basic messages become known, merchants will be able to depend less on advertising to stimulate sales and rely more on the intrinsic strength of their stores. The store itself will become the primary marketing vehicle, Mr. Saffer said.

Three merchants that have contributed to the transformation of the retail industry also have pointed the way to this marketing future.

One is Wal-Mart Stores, the nation's third-largest and fastest-growing retailer, which has taught the industry the meaning of "everyday low prices."

In 1987, the most recent full year for which figures are available, Wal-Mart spent only $80.4 million on advertising, compared with $886.5 million for No. 1 ranked Sears, Roebuck & Co. and $631.8 million for No. 2 ranked K mart Corp.

Unlike K mart, which distributes weekly ad circulars promoting merchandise and sales, Wal-Mart produces only 12 to 13 circulars a year. The rest of the time it relies on loyal customers to come to its stores for value and selection.

Another groundbreaker is Toys "R" Us. It transformed toy retailing from a seasonal to a year-round business, helping to create the "super specialty store" concept along the way.

Despite its undisputed leadership position, Toys "R" Us spent only $13.9 million on measured media in 1987, according to Leading National Advertisers.

"They have no veneer, no aura—the marks by which merchants have traditionally distinguished themselves. They just happen to be a better place to buy children's merchandise than anyplace else," Mr. Saffer said.

The third example is The Limited, the nation's most powerful specialty women's apparel chain. It spent only $3.2 million on measured media in 1987, according to LNA, or a fraction of what its lumbering department store competitors spent.

The trick employed by The Limited is to make the fashion excitement, the merchandising appeal, the store image happen in the store. Virtually all its marketing budget goes to carefully planned and regularly changed in-store displays, Limited executives said.#

K mart's Fare-sized store

American Fare, K mart Corp.'s first hypermarket, opened 20 miles east of Atlanta Jan. 29. The 244,000-square-foot store, a joint venture with the Bruno's grocery chain, offers everything from produce to bicycles to clothing under one roof. Dilorio, Wergeles, New York, handles advertising.